

**LONE PEAK PUBLIC SAFETY DISTRICT
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2005**

LONE PEAK PUBLIC SAFETY DISTRICT

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INDEPENDENT AUDITOR'S REPORT

September 22, 2005

Board of Public Safety Commissioners
Lone Peak Public Safety District

I have audited the accompanying financial statements of the governmental activities and each major fund, which collectively comprise the basic financial statements of Lone Peak Public Safety district, (District) as of and for the year ended June 30, 2005 as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the District at June 30, 2005 and the respective changes in financial position of those activities and funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated September 22, 2005 on my consideration of Lone Peak Public Safety District Utah's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Management's discussion and analysis and the budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.


Greg Ogden,
Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Lone Peak Public Safety District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of Lone Peak Public Safety District for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The total net assets of Lone Peak Public Safety District increased \$ 194,152 (35.5%) to \$740,498.
- The total net assets of \$740,498 are made up of \$208,494 in capital assets net of related debt and \$532,004 in unrestricted net assets.

REPORTING THE DISTRICT AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Lone Peak Public Safety District's basic financial statements. Lone Peak Public Safety District's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of Lone Peak Public Safety District's finances, in a manner similar to a private-sector business.

- *The statement of net assets* presents information on all of Lone Peak Public Safety District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Lone Peak Public Safety District is improving or deteriorating. However, you will also need to consider other non-financial factors.
- *The statement of activities* presents information showing how the District's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Lone Peak Public Safety District, assets exceed liabilities by \$740,498.

Part of Lone Peak Public Safety District's net assets (28.2%) reflects its investment in capital assets (e.g., vehicles and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services; consequently, these assets are not available for future spending.

STATEMENT OF NET ASSETS (In dollars)

	District Activities 2004-2005	District Activities 2003-2004
Current Assets	\$ 596,182	\$ 469,118
Capital Assets	880,990	922,881
Total Assets	<u>1,477,172</u>	<u>1,391,999</u>
Current Liabilities	8,979	17,423
Noncurrent Liabilities	727,695	828,230
Total Liabilities	<u>736,674</u>	<u>845,653</u>
Net Assets:		
Invested in Capital Assets, Net of Debt	208,494	146,213
Unrestricted	532,004	400,133
Total Net Assets	<u>\$ 740,498</u>	<u>\$ 546,346</u>

CHANGES IN NET ASSETS (In dollars)

	District Activities 2004-2005	District Activities 2003-2004
Program Revenues:		
Charges for Services	\$ 2,419,399	\$ 2,059,674
Capital Grants and Contributions	235,372	60,622
General Revenues:		
Other Revenues	72,557	27,585
Total Revenues	<u>2,727,328</u>	<u>2,147,881</u>
District Expenses		
Total Expenses	<u>2,533,176</u>	<u>2,321,631</u>
Change in Net Assets	194,152	(173,750)
Net Assets Beginning	546,346	720,096
Net Assets Ending	<u>\$ 740,498</u>	<u>\$ 546,346</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Lone Peak Public Safety District's investment in capital assets as of June 30, 2005, amounts to \$880,990 (net of accumulated depreciation). The District's investment in fixed assets for the current year decreased by (\$41,891) due to depreciation being greater than the capital assets purchased during the year.

Major capital asset purchased during the current fiscal year included the following:

2005 Auto Pulse System	2 - 2005 Kawasaki Off Road Vehicles
2005 Dodge Pickup	2 - 2005 Dodge Durangos
3 - 2005 Chevrolet Impalas	

Additional information on the District's capital assets can be found in the footnotes to this financial report and also the supplemental section.

During the 2004-2005 the District did not enter into any new leases. At the end of fiscal year 2004-2005 the District has five leases with a total outstanding balance of \$727,695.

NEXT YEAR'S BUDGET

- The District budget for the fiscal year ending June 30, 2006 reflects a decrease to \$2,680,791 compared to \$2,687,535 for the prior fiscal year-ended June 30, 2005. The decrease is due to a large Federal Homeland Security grant received in 2005.

REQUESTS FOR INFORMATION

This financial report is designed to provide general overview of Lone Peak Public Safety District's finances for all those with an interest in the District's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

Finance Director, Lone Peak Public Safety District, 5378 West 10400 North, Highland, UT 84003

BASIC FINANCIAL STATEMENTS

LONE PEAK PUBLIC SAFETY DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2005

	<u>Governmental Activities</u>
<u>ASSETS</u>	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 492,423
Accounts Receivable	<u>103,759</u>
 TOTAL CURRENT ASSETS	 <u>596,182</u>
 NONCURRENT ASSETS	
Capital Assets	
Depreciable Assets (net of Depreciation)	<u>880,990</u>
 TOTAL NONCURRENT ASSETS	 <u>880,990</u>
 TOTAL ASSETS	 <u>1,477,172</u>
 <u>LIABILITIES</u>	
CURRENT LIABILITIES	
Accounts Payable	<u>8,979</u>
 TOTAL CURRENT LIABILITIES	 <u>8,979</u>
 NONCURRENT LIABILITIES	
Due Within One Year	143,402
Due in more than One Year	<u>584,293</u>
 TOTAL NONCURRENT LIABILITIES	 <u>727,695</u>
 TOTAL LIABILITIES	 <u>736,674</u>
 <u>NET ASSETS</u>	
Investment in Capital Assets, Net of Related Debt	
Unrestricted	<u>208,494</u> <u>532,004</u>
 TOTAL NET ASSETS	 <u>\$ 740,498</u>

See the accompanying notes to the financial statements

LONE PEAK PUBLIC SAFETY DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Operating	Capital		
	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities
<u>FUNCTIONS/PROGRAMS</u>					
Governmental Activities					
Administrative	\$ 49,681	\$ 45,000	\$ -	\$ -	\$ (4,681)
Police	1,615,468	1,507,222	-	205,370	97,124
Fire and EMS	<u>868,027</u>	<u>867,177</u>	<u>-</u>	<u>30,002</u>	<u>29,152</u>
Total Governmental Activities	<u>\$ 2,533,176</u>	<u>\$ 2,419,399</u>	<u>\$ -</u>	<u>\$ 235,372</u>	<u>121,595</u>
General Revenues					
					42,780
					13,556
					<u>16,221</u>
					<u>72,557</u>
Change in Net Assets					
					194,152
Net Assets - Beginning					
					<u>546,346</u>
Net Assets - Ending					
					<u>\$ 740,498</u>

See the accompanying notes to the financial statements

LONE PEAK PUBLIC SAFETY DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2005

	<u>General</u>
<u>ASSETS</u>	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 492,423
Accounts Receivable	<u>103,759</u>
TOTAL CURRENT ASSETS	<u>596,182</u>
TOTAL ASSETS	<u>\$ 596,182</u>
<u>LIABILITIES, FUND EQUITY AND OTHER CREDITS</u>	
CURRENT LIABILITIES	
Accounts Payable	\$ 8,979
Compensated Absences	<u>34,421</u>
TOTAL CURRENT LIABILITIES	<u>43,400</u>
TOTAL LIABILITIES	<u>43,400</u>
<u>FUND EQUITY</u>	
Unreserved	<u>552,782</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 596,182</u>

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 552,782
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*Amounts reported for governmental activities in the statement
of net assets are different because*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	880,990
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(693,274)</u>
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TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 740,498</u>
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See the accompanying notes to the financial statements

LONE PEAK PUBLIC SAFETY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2005

	<u>General</u>
<u>REVENUES</u>	
Administration	
Charges for Services	\$ 45,000
Interest Income	13,556
Miscellaneous Income	5,074
Police	
Charges for Services	1,487,535
Court Revenues	18,870
Report Charges	817
Grants	205,370
Proceeds from Sale of Assets	8,280
Miscellaneous Income	6,125
Fire and EMS	
Charges for Services	480,010
Ambulance Charges	387,167
Grants	30,002
Proceeds from Sale of Assets	38,900
Miscellaneous Income	<u>5,022</u>
TOTAL REVENUES	<u>2,731,728</u>
<u>EXPENDITURES</u>	
Administration	49,681
Police	1,702,508
Fire and EMS	<u>847,853</u>
TOTAL EXPENDITURES	<u>2,600,042</u>
EXCESS OF REVENUES OVER EXPENDITURES	131,686
BEGINNING FUND BALANCE	<u>421,096</u>
ENDING FUND BALANCE	<u>\$ 552,782</u>

See the accompanying notes to the financial statements

LONE PEAK PUBLIC SAFETY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

EXCESS OF REVENUES OVER EXPENDITURES **\$ 131,686**

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. **(41,891)**

Issuance of long-term debt provides current financial resources to governmental funds. The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the net difference in the treatment of long-term debt and related items. **104,172**

Some revenues and expenses reported in the statement of activities do not add to or require the use of current financial resources and, therefore, are reported as revenues or expenditures in the governmental funds. **185**

CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS **\$ 194,152**

See the accompanying notes to the financial statements

LONE PEAK PUBLIC SAFETY DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget</u>
<u>REVENUES</u>				
Administration				
Charges for Services	\$ 45,000	\$ 45,000	\$ 45,000	\$ -
Interest Income	5,000	5,000	13,556	8,556
Miscellaneous Income	400	4,985	5,074	89
Police				
Charges for Services	1,490,500	1,490,500	1,487,535	(2,965)
Court Revenues	24,000	24,000	18,870	(5,130)
Report Charges	1,000	1,000	817	(183)
Grants	46,000	195,010	205,370	10,360
Proceeds from Sale of Assets	-	-	8,280	8,280
Miscellaneous Income	15,000	15,000	6,125	(8,875)
Fire and EMS				
Charges for Services	476,991	476,991	480,010	3,019
Ambulance Charges	290,000	295,000	387,167	92,167
Grants	15,000	28,049	30,002	1,953
Proceeds from Lease	-	16,000	-	(16,000)
Proceeds from Sale of Assets	-	17,000	38,900	21,900
Miscellaneous Income	5,000	5,000	5,022	22
TOTAL REVENUES	2,413,891	2,618,535	2,731,728	113,193
<u>EXPENDITURES</u>				
Administration	50,400	54,985	49,681	5,304
Police	1,620,500	1,769,510	1,702,508	67,002
Fire and EMS	801,991	863,040	847,853	15,187
TOTAL EXPENDITURES	2,472,891	2,687,535	2,600,042	87,493
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	\$ (59,000)	\$ (69,000)	\$ 131,686	\$ 200,686

See the accompanying notes to the financial statements

LONE PEAK PUBLIC SAFETY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Lone Peak Public Safety District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of the District's accounting policies.

The Reporting Entity

Lone Peak Public Safety District was organized by the cities of Alpine and Highland as a fire and emergency medical services (EMS) district on January 1, 1996. On July 1, 1996 the District added a police department. In 2002, the town of Cedar Hills joined the district as a member of the fire and EMS portions. The District accounts for its operations as a governmental-type fund; activities are financed and the cost of services are recovered primarily through user charges, grants and equal direct payments from the member cities based on each member's share of the District's annual budget.

The District is governed by a Board of Public Safety Commissioners (Board) composed of two elected or appointed officials from each of the participating cities.

Government-wide and Fund Financial Statements

The government-wide financial statements (statement of net assets and statement of activities) report information on all of the non-fiduciary activities of the District. Governmental activities are supported by charges for services, contributions and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers who directly benefit from goods or services provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Interest and other items not properly included among program revenues are reported as general revenues.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Financial resources used to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the District are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

NOTE 1 - (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (within sixty days) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Earned but unreimbursed state and federal grants associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues are considered to be measurable and available only when the District receives cash.

The District reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

Assets, Liabilities and Fund Equity

A. Cash and cash equivalents

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. The District's investment policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the District's cash in the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

B. Capital assets

Capital assets, which include land, buildings, improvements and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at the date of the gift, if donated.

Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets, are charged to expense.

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

<u>Classification</u>
Machinery and Equipment

<u>Range of Lives</u>
3-40 years

NOTE 1 - (CONTINUED)

C. Compensated absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis. No more than 30 days of vacation may be carried forward. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid. The accumulated sick leave is earned at a rate of one day per month. However, no accumulated, unused sick leave will be paid at termination.

D. Long-term liabilities

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the life of the related debt. In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

E. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of unreserved fund balances are not required by law or accounting principles, but are further classifications of fund equity to identify funds which are earmarked by the District's management for specific purposes. These represent tentative management plans that are subject to change.

F. Net assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital Asset Differences

When capital assets (land and improvements) are purchased or constructed for use in governmental fund activities, the costs of those assets are reported as expenditures in the governmental funds. However, those costs are reported as capital assets in the statement of net assets. The details of these differences are presented below:

Police Equipment	\$ 498,422
Fire/EMS	1,421,405
Less Accumulated Depreciation	<u>(1,038,837)</u>
Net Capital Asset Difference	\$ <u>880,990</u>

Long-Term Liability Differences

Long-Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet. All liabilities (both current and long-term) are reported in the statement of net assets. The details of these differences are presented below:

Leases Payable	\$ (672,496)
Long-Term Compensated Absences	<u>(20,778)</u>
Total Long-Term Liability Difference	\$ <u>(693,274)</u>

Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund financial statements include a reconciliation between changes in fund balances in the governmental funds and changes in net assets in the government-wide statement of activities. This difference primarily results from the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental fund financial statements.

Capital Outlay and Depreciation Differences

Capital outlays are reported as expenditures in the statement of revenues, expenditures and changes in fund balances. They are reported as capital assets, with the costs allocated over the useful lives of the assets, as depreciation, in the statement of activities. The details of these differences are reported below:

Capital Outlay	\$ 186,249
Depreciation Expense	(223,740)
Loss on Sale of Assets	<u>(4,400)</u>
Net Difference	\$ <u>(41,891)</u>

NOTE 2 - (CONTINUED)

Long-term Debt Issuance and Repayment Differences

When long-term debt is issued it is reported as an other financing source. Repayments are reported as expenditures in the statement of revenues, expenditures and changes in fund balance. Issuance of debt is reported as a long-term liability and repayments are reported as reductions of those liabilities in the statement of activities. The details of these differences are reported below:

Debt Repayments	\$ <u>104,172</u>
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The change in long-term compensated absences is not reported in the statement of revenues, expenditures and changes in fund balance. The change is reported in the statement of activities.

Change in Long-Term Compensated Absences	\$ <u>185</u>
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NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to the first regularly scheduled meeting of the Board in May, the District Director submits to the Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and proposed sources of revenues.

Between May 1 and June 22, the members' City Councils review and adjust the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution.

Under Utah State law, the District's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events. A public hearing must be held to increase the total appropriations the governmental fund.

NOTE 4 - CASH AND INVESTMENTS

The District follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. As of June 30, 2005 \$123,480 of the District's bank balances of \$223,480 were uninsured and uncollateralized.

The District's carrying amount and the bank balance of the District's deposits at June 30, 2005 was \$223,480 and \$82,688, respectively.

NOTE 4 - (CONTINUED)

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers acceptances; obligations of the United State Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund (PTIF),

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses - net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
State of Utah Public Treasurer's Investment Fund	\$ 268,743	\$ 268,743	\$ -	\$ -	\$ -

The deposits and investments described above are included on the statement of net assets as per the following reconciliation:

Deposits	\$ 223,480
Cash on Hand	200
Investments	<u>268,743</u>
Total	<u>\$ 492,423</u>

NOTE 5 - CAPITAL ASSETS

A prior period adjustment to recognize beginning accumulated depreciation in the capital assets was required due to the implementation of GASB Statement No. 34. That adjustment is reflected in the prior period adjustment column of the schedule below. The schedule also presents the capital activity of the governmental activities for the year ended June 30, 2005.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital Assets being Depreciated</u>				
Police Equipment	\$ 422,514	\$ 130,872	\$ (54,964)	\$ 498,422
Fire/EMS Equipment	1,490,818	55,377	(124,790)	1,421,405
Less Accumulated Depreciation	<u>(990,451)</u>	<u>(223,740)</u>	<u>175,354</u>	<u>(1,038,837)</u>
Capital Assets, Net	<u>\$ 922,881</u>	<u>\$ (37,491)</u>	<u>\$ (4,400)</u>	<u>\$ 880,990</u>

NOTE 6 - LONG-TERM DEBT

The District has entered into lease agreements, as the lessee, to finance the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. All District lease contracts contain a fiscal non-funding clause, which gives the Board the option of terminating the contract at the end of any fiscal year during the contract. In the opinion of the District's management, the likelihood of this clause being exercised is remote.

The following is a schedule of yearly future lease payments for the capital leases together with the present value of the net minimum lease payments as of June 30, 2005.

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2006	\$ 136,883
2007	115,870
2008	82,944
2009	82,944
2010	82,944
2011-2014	219,068
2015-2018	<u>118,283</u>
Total Minimum Lease Payments	838,936
Interest Portion	<u>(166,440)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 672,496</u>

NOTE 6 - (CONTINUED)

The following is a summary of changes in long-term debt of the District for the year ended June 30, 2005:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital Leases					
Fire Truck/Ambulance	\$ 174,368	\$ -	\$ (26,558)	\$ 147,810	\$ 27,674
Ambulance/2 Brush Trucks	92,767	-	(29,675)	63,092	31,096
Fire Truck	394,614	-	(19,749)	374,865	21,434
3 Dodge Intrepids	39,919	-	(19,616)	20,303	20,303
Rescue Truck	75,000	-	(8,574)	66,426	8,474
Compensated Absences	<u>51,562</u>	<u>3,637</u>	<u>-</u>	<u>55,199</u>	<u>34,421</u>
	<u>\$ 828,230</u>	<u>\$ 3,637</u>	<u>\$ (104,172)</u>	<u>\$ 727,695</u>	<u>\$ 143,402</u>

NOTE 7 - ECONOMIC DEPENDENCY

The District depends upon the continued financial support of both the City of Alpine and the City of Highland. Alpine and Highland remitted \$821,137 (30%) and \$1,041,589 (38%) respectively, of the 2005 fiscal year total revenues received by the District.

NOTE 8 - RETIREMENT PLANS

The District contributes to the Local Government Noncontributory Retirement System, the Public Safety Retirement System and the Firefighters Retirement System for employers with Social Security coverage which are all cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong; 11.09% to the Local Government Division, 19.08% to the Public Safety Retirement System, and 8.61% to the Firefighters Retirement System. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Lone Peak Public Safety District contributions to the various systems for the years ended June 30, 2005, 2004, and 2003 respectively were; for the Local Government Division, \$8,399, \$5,406, and \$4,055; for the Public Safety Retirement System, \$124,955, \$99,308, and \$73,774; and for the Firefighters Retirement System, \$5,216, \$4,630, and \$4,102, respectively. The contributions were equal to the required contributions for each year.

NOTE 9 - DEFERRED COMPENSATION PLANS

The District sponsors a defined contribution deferred compensation plan administered by Utah Retirement Systems under the Internal Revenue Code Section 401(k) for some District employees covered by the State's contributory retirement plans. The plan permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the District or its general creditors. The District's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. During the year ended June 30, 2005, contributions totaling \$5,211 were made to the plan by employees.

The District sponsors a defined contribution deferred compensation plan administered by Utah Retirement Systems under the Internal Revenue Code Section 457 for some District employees covered by the State's contributory retirement plans. The plan permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 457 deferred compensation monies are not available to the District or its general creditors. The District's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. During the year ended June 30, 2005, contributions totaling \$2,883 were made to the plan by the District.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries insurance. Liability, property and casualty, and workman's compensation insurance are all carried by the District through Utah Local Governments Trust.

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STATE COMPLIANCE REPORT

GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

September 22, 2005

Board of Public Safety Commissioners
Lone Peak Public Safety District

I have audited the accompanying financial statements of the governmental activities and each major fund, which collectively comprise the basic financial statements of Lone Peak Public Safety District, as of and for the year ended June 30, 2005 and have issued my report thereon dated September 22, 2005. The District received no major state assistance programs from the State of Utah.

The District received the following nonmajor grant which is not required to be audited for specific compliance requirements: (However, this program was subject to test work as part of the audit of the District's financial statements.)

Community Safety Grant (Utah Department of Public Safety)

My audit also included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance

Special Districts
Other General Issues
Asset Forfeitures

The management of the District is responsible for the District's compliance with all compliance requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures disclosed an immaterial instance of noncompliance with the requirements referred to above which is described in the accompanying management letter. I considered this instance of noncompliance in forming my opinion on compliance, which is expressed in the following paragraph.

In my opinion, the Lone Peak Public Safety District, complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2005.


Greg Ogden,
Certified Public Accountant



GOVERNMENT AUDITING STANDARDS REPORT

GREG OGDEN, CPA
1761 EAST 850 SOUTH
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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

September 22, 2005

**Board of Public Safety Commissioners
Lone Peak Public Safety District**

I have audited the accompanying financial statements of the governmental activities and each major fund of Lone Peak Public Safety District as of and for the year ended June 30, 2005, which collectively comprise Lone Peak Public Safety District's basic financial statements and have issued my report thereon dated September 22, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Lone Peak Public Safety District's control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lone Peak Public Safety District's financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Audit Committee, the District's management, others within the organization, and the Board of Public Safety Commissioners and is not intended to be and should not be used by anyone other than these specified parties.


Greg Ogden,
Certified Public Accountant

**LONE PEAK
PUBLIC SAFETY DISTRICT**

MANAGEMENT LETTER
JUNE 30, 2005

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

September 22, 2005

**Board of Public Safety Commissioners
Lone Peak Public Safety District**

The primary purpose of my audit of the basic financial statements of Lone Peak Public Safety District for the year ended June 30, 2005, was to enable me to form an opinion as to the financial position of the District at that date and the results of its operations for the year then ended. Part of my continuing professional responsibility to my clients is to offer constructive suggestions relative to the District's internal control structure and other matters that come to my attention during my audit of your financial statements. Your internal control structure is extremely important because it is the principal safeguard against irregularities which an audit may not disclose.

Enclosed for your information and consideration are my comments and suggestions relating to internal accounting controls and other general matters which came to my attention during my audit of the financial statements. I have not performed any auditing procedures beyond the date of my opinion on the financial statements; accordingly, this letter is based on my knowledge as of that date and should be read with that understanding.

In those instances where the need for improvement of internal accounting controls may be indicated, I have satisfied myself by extension of audit tests and review that the indicated weaknesses have not had a significant effect upon the financial statements for the year ended June 30, 2005. Since the purpose of my audit was not to make an intensive study of the matters commented upon, additional investigation may be required before acting on my suggestions.

My suggestions deal exclusively with operational, accounting, and recordkeeping systems and procedures, and should not be regarded as a reflection on the integrity or capabilities of anyone in your organization.

I appreciate the cooperation and assistance I have received from the District's personnel in connection with my audit and in developing these recommendations.

This report is intended solely for the use of the management of Lone Peak Public Safety District. However, this report is a matter of public record and its distribution is not limited.

I would be pleased to discuss any of these matters with you and your representatives at your convenience and, if desired, to assist you in implementing any of these suggestions.


Greg Ogden,
Certified Public Accountant

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE COMPLIANCE FINDINGS

FINDING - INADEQUATE TREASURER'S BOND

The State requires a governmental entity's treasurer to be bonded for a minimum amount which is based on the government's budgeted revenues. Lone Peak Public Safety District's budgeted annual revenues for 2004 were approximately \$2,618,535. This level of revenues would require the District's treasurer to be bonded for about \$157,000. The treasurer was bonded for \$150,000.

RECOMMENDATION

I recommend that you increase bonding coverage for the treasurer. It may be best to raise the coverage higher than \$157,000 in anticipation of future increases in gross revenues.

DISTRICT RESPONSE

The Treasurer will be bonded for the additional amount.